

RECEIVED

SEP 02 2009

SUPERIOR COURT

City of Dorris
P.O. Box 768
Dorris, CA 96023
530-397-3511; FAX 530-397-8831

August 28, 2009

Siskiyou County Superior Court
Att: Jan Peery
P.O. Box 1026
Yreka, CA 96097-1026

Re: Required Reporting for Grand Jury Findings and Recommendations
Federal Funds for Dorris submitted June 30, 2009

Dear Grand Jury:

The Dorris City Administrator submits the following response to the Findings and Recommendations on the complaint of Federal Funds For Dorris

This letter is issued in accordance with California Penal Code sections 933 & 933.05.

Findings:

- #1- I disagree- Informed procedures are included in the Housing Rehabilitation Guidelines (Revised 1/22/04) established and approved by City enclosed with this reply to the Grand Jury. (See pages 13-16)
- #2-I disagree -CDBG rules are being followed and the State does perform compliance monitor visits with the City and GNC concerning our grants and administration thereof. We also report quarterly to the state on Program income and grant drawdown of funds.
- #3-I disagree-The same answer as above.
- #4-I agree-The City is ultimately responsible.
- #5-I disagree-The City of Dorris' Nov. 7, 2005 agreement is fully signed and does not have information missing. I do not know whose agreement you saw, but you did not check with me for Dorris' original signed agreement, nor to the best of my knowledge, peruse a copy thereof. (See enclosed signed/completed/dated copy).
- #6-I disagree-Again, the City's copy of the program guidelines is complete and is enclosed with this submittal.

#7-I disagree-The Affirmative Action Program is referring to GNC's employees, contracts, etc. Not to the loan program. GNC does have an affirmative action program/Equal Employment Opportunity section in their personnel handbook.

#8-I disagree-The City Council and staff have had several trainings for conflict of interest. In a town this small it is hard not to have family members applying over the 22 years that this loan program has been in effect. In several of your cases, you sighted conflicts such as the council member's loan, that was made many years before she ever took office; an ex-husband his wife and her son, ex-sister-in-law, and nephews as conflicts. Ex's do not count in this conflict of interest, as far as I can tell. In addition, you sited nephews had received loans, which is not true. The official you site with mother and sons does not have any decision-making authority/ responsibility for this program implementation.

#9- I disagree- Motions and seconds of each action on a loan are recorded. Finished loan portfolios do contain the loan committee action report. I have not had a complaint from the loan committee that they need more time and did not receive that extension. Several times the applications have come back to the loan committee if they need more time to deliberate or more information on the applicant.

#10-I disagree-The loan committee is given the 21 pages of the program guidelines. It is very informative and outlines job duties, program outcomes, program procedures, contracting requirements, etc.

#11- I disagree- GNC has always verified credit and income by State standards. Not all portfolios were complete in the City of Dorris' office if that is the only place the grand jury checked. GNC retains part of this information until we close out that grant period or the loan is finished and a full portfolio is created in Dorris.

#12-I agree

#13-I disagree-Again refer to the program guidelines. It states "...each client's loan is tailor-made..." The program guideline outlines a basic course of action, but cannot set in stone, as each case will be different. The guideline also allows for deferment of loan. Most of Dorris' loans were deferred in the 1987 grant.

#14-I disagree- Anyone who has asked me for help has been referred to Larry Luce, GNC, if I cannot answer them. No one has complained to me that they did not get help from him and he is our program administrator.

Recommendations:

#1 & 2- CDBG requirements are being enforced.

#3 & 4- GNC is fulfilling their agreement. If Larry is unsure of an answer, he contacts the State representative.

#5 & 6 -No missing information is on our agreement or the guidelines. See enclosed copy.

#7 - GNC has an Affirmative Action Program for employees (Equal Employment Opportunity) that is being required by the sub-recipient

agreement. See page 4 of the program guidelines and the application rating criteria. The priority rating scale is ... "based on the condition of the house", not affirmative action program. The point of the program is to raise sub-standard housing stock, revitalize neighborhoods, and correct health and safety issues, etc for TIG (targeted income group) as long as they are eligible in all other respects of the program.

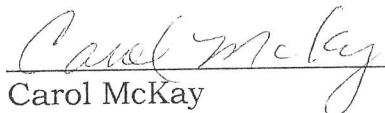
#8- The City is continuing with their Conflict of Interest Training. We have had Conflict of Training and Ethics training in 2006 and 2008. If we have any questions on loans, the City will get a ruling from the State.

#10-The City and GNC have already started a dialogue with the loan committee on what they need to understand the program. They have always been given the guidelines and if there are questions, they know to ask us for answers or guidance.

#12- Will implement a schedule to perform annual reviews of all the loans.

#13-The City does have a fair and consistent policy, which is in our program guidelines (State approved) enclosed with this response. If you know how this can be improved within State and Federal regulations, please forward your recommendations to the City.

Sincerely,



Carol McKay
City Administrator

Cc: City Clerk
Council Read File
Correspondence file



RECEIVED

AUG 28 2009

SUPERIOR COURT

**GREAT NORTHERN CORPORATION
HOUSING REHABILITATION DEPARTMENT**

780 South Davis Avenue; P.O. Box 20
Weed, CA. 96094

Phone (530) 938-4115 Extensions: Larry-22; Molly-14; Crystal-26; Claudia-21

Fax (530) 938-1040 email: claudiagnc@sbcglobal.net

Responses from GNC Liaison

- F-7 I disagree. GNC has an approved Affirmative Action Plan in their Personnel Procedures. As for out reach to minorities GNC has never been found lacking when the city has been monitored by the state in past grants. GNC is in the process of getting its application translated into Spanish and hope to have it done in a couple of months.
- F-8 I disagree. The City's Program Guidelines cover Conflict of Interest and have been approved by the State. No member of the City Council, planning department, and other governmental councils, employees or agents of the city government who exercises authority, enacts policy and/or procedures, preform decision-making functions or responsibilities in connection with the planning and implementation of the CDBG Program shall directly or indirectly be ineligible for this program The City Clerk did not receive any loans from this program. (See exhibit C number 13 taken from new Contract from the State attached.)
- F-9 I disagree with part of this. The Dorris Loan Committee is made up of 3 volunteers. It is hard to find people willing to volunteer and attend meetings. I keep minutes of who makes the motion and seconds, which contractor is to do the work, dollar amount of loan and interest rate and monthly amount of payment to be made to city after completion of work. The bid package and loan summary is mailed out to the L/C a week before the meeting.
- F-10 I disagree. The loan committee members are given a copy of the Program Guidelines when they start on the L/C. I would gladly give them more training

whenever they want to meet on a Wednesday that I am in the city running the program. Some of the volunteers work and it is hard to find a time for them all to meet. The State has never offered any training to pass on to the L/C members.

- F-11 I disagree. GNC would never move forward on an application without verifiable income. We have current income verification at the time of loan on all clients.
- F-12 I disagree. It is the city's decision when to do an annual review of the loans. The city may set up a plan to do a portion every year until they have all been done and then start over.
- R-7 I disagree. GNC has an approved Affirmative Action Plan in their Personnel Procedures
- R-8 I agree. I would be willing to get more training on conflict of interest.
- R-9 I agree. I will keep more detailed minutes on any discussion regarding loans and loan meetings.
- R-10 I agree. I will remind the L/C members what info can be provided before loan meetings and can be supplied to them with their loan packets.
- R-11 I agree. This is something they can have in their loan packets. In the past they decided they didn't want it. I always have it with me for the meetings.
- R-12 I agree. GNC has nothing to do with this but agree the city needs to do annual reviews. If the city needs to do ½ every year or whatever they decide, it needs to be done.

Larry H Luce, GNC Liason

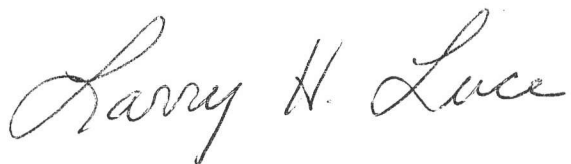
A handwritten signature in cursive script that reads "Larry H. Luce". The signature is written in dark ink and is positioned below the typed name.

EXHIBIT C

- D. Absent fraud or mistake on the part of the Department, the determination by the Department of the allowability of any expenditure shall be final.
- E. Pursuant to OMB Circular A-133, the Grantee shall perform an annual audit at the close of each fiscal year in which this Agreement is in effect. Audit costs for this Agreement are a general administration expense and are subject to the general administration expenditure limits associated with this Agreement. The costs of the CDBG-related portion of the audit may be charged to the program in accordance with Public Law 98-502, OMB Circular A-133 and Section 7122 of Title 25 CCR.
- F. Notwithstanding the foregoing, the Department will not reimburse the Grantee for any audit cost incurred after the termination date of this Agreement.
 - 1. The audit shall be performed by a qualified State, Department, local or independent auditor. The agreement/contract for audit shall include a clause which permits access by the Department to the independent auditor's working papers.
 - 2. If there are audit findings, the Grantee must submit a detailed response to the Department for each audit finding. The Department will review the response and, if it agrees with the response, the audit process ends and the Department will notify the Grantee in writing. If the Department is not in agreement, the Grantee will be contacted in writing and informed what corrective actions must be taken. This action may include the repayment of disallowed costs or other remediation.
 - 3. The Department shall not approve reimbursement for any expenditures for the audit, prior to receiving an acceptable audit report.
 - 4. If so directed by the Department upon termination of this Agreement, the Grantee shall cause all records, accounts, documentation and all other materials relevant to the grant activity(ies) to be delivered to the Department as depository.

13. Conflict of Interest of Members, Officers, or Employees of Contractors, Members of Local Governing Body, or other Public Officials

No member, officer, or employee of the Grantee, or its designees or agents, no member of the governing body of the locality in which the program is situated, and no other public official of such locality or localities who exercise any functions or responsibilities with respect to the program during his/her tenure or for one (1) year thereafter, shall have any interest, direct or indirect, in any contract or subcontract, or the proceeds thereof, for grant activities to be performed in connection with the program assisted under this Agreement. The Grantee shall incorporate, or cause to be incorporated, in all such contracts or subcontracts a provision prohibiting such interest pursuant to the purposes of this section.



**GREAT NORTHERN CORPORATION
HOUSING REHABILITATION DEPARTMENT**

780 South Davis Avenue, P.O. Box 20
Weed, CA. 96094

Phone (530) 938-4115 Extensions: Larry-22; Molly-14; Crystal-26; Claudia-21
Fax (530) 938-1040 email: claudiagnc@sbcglobal.net

July 16, 2009

Jan Peery
P.O. Box 1026
Yreka, CA. 96097

Dear Ms. Peery:

As a response to F14 and R14 as the Great Northern Housing Rehabilitation Loan Packager, I dispute this finding of preferential treatment. Had the Grand Jury interviewed me I would have provided the process that we go through for potential clients.

A cover letter is sent as well as the application for the Housing Rehabilitation process with all applications that are distributed from Great Northern Corporation. The letter clearly states that if they have any questions, please contact us. When a prospective client does call to request an application, we go over the Program with them and at that point if they still wish to have an application, we send it to them. Regarding an application in Spanish, this would be a great idea but since I have been the Loan Packager, I have had one request from a Spanish speaking individual and that was done through an organization in the Macdoel area. In the future, we will make sure that Dorris staffing will provide the cover letter and application process as well.

As a loan packager, I have never refused assistance to any prospective client. I pride myself in being a customer service oriented individual.

Sincerely,

Claudia Trevisan
Great Northern Corporation
Loan Packager

Enc: cover letters & application process

RECEIVED

JUL 17 2009

SUPERIOR COURT



**GREAT NORTHERN CORPORATION
HOUSING REHABILITATION DEPARTMENT**

780 South Davis Avenue; P.O. Box 20
Weed, CA. 96094

Phone (530) 938-4115 Extensions: Larry-22; Molly-14; Crystal-26; Claudia-21
Fax (530) 938-1040 **email:** claudiagnc@sbcglobal.net

Date

Name
Address
City, State, Zip code

Dear :

Enclosed you will find the State recommended Community Development Block Grant Rehabilitation Program Application. Please complete the application as thoroughly as possible. Any areas that do not pertain to you mark N/A for that section.

We will need proof of income on all individuals residing in the home that are 18 years or older. Samples of income may be found on page 9. If you have any further questions, please do not hesitate to contact us.

Sincerely,

Claudia Trevisan
Loan Specialist



**GREAT NORTHERN CORPORATION
HOUSING REHABILITATION DEPARTMENT**

780 South Davis Avenue; P.O. Box 20
Weed, CA. 96094

Phone (530) 938-4115 Extensions: Larry-22; Molly-14; Crystal-26; Claudia-21
Fax (530) 938-1040 email: claudiagnc@sbcglobal.net

Date

Name
address
City, State. Zip code

Dear :

Enclosed you will find the State Recommended Community Development block Grant Rehabilitation Program Application. Fill out all the areas **completely**. If an area does not pertain to you, please mark N/A across the area.

We will need information from both the property owner as well as the tenant. The tenant will need to provide proof of income as they are the qualifying factors for the project. Please submit both the owner & tenant application together.

If you have any further questions, please do not hesitate to contact us.

Sincerely,

Claudia Trevisan
Loan Packager

LOAN REHABILITATION APPLICATION PROCESS

1. Request Loan Application
2. Return Loan Application
3. Priority Point Inspection
4. Placement on list with priority point rating
5. Person selected with highest priority points
6. Notify client selected from list
7. Send out preliminary paperwork
8. Order Credit report & Preliminary Title
9. Coordinator meets with homeowner to work on scope of work
10. Rehab job goes to bid
11. Coordinator meets with loan committee
12. Loan documents drawn up
13. Meeting with client, contractor, building inspector and Great Northern Coordinator to sign loan documents.
14. Rehabilitation job begins.

If the project is a tear-down, then an appraisal has to be done and a 30 day waiting period for the Historic Preservation Dept. to be notified to give the go-ahead.

As you can see, there are many steps before your Housing Rehabilitation can begin. The Housing Rehabilitation Loan Pool is limited, therefore the time frame of assistance could be a long period of time.